

Risks and Mitigations

RISKS	MITIGATING FACTORS	
	Traditional	Additional
Non acceptance upon delivery from shipyard	Use of a widely accepted design and a high performance shipyard with a successful history of construction	PB permanent supervision of shipyard's works and enforcing a high standard and experienced contractor association
Delay in delivery	Use of a high performance shipyard, warranties and liquidated damages	FGCN, contracting 7 identical units (learning curve) & enforcing shipyard association w/ an expert contractor
Cost Overrun	Use of a proved design, guarantee packages and insurance policies (BAR, DSU)	"Learning Curve" providing increase of productivity, shipyard collateral (FGCN), parametric index (pricing realignment)
Operator Low Performance	Use of a high standard and proved Operator and insurance policies	"Performance Fund", mechanism for Operator replacement, Operator & Petrobras as Company's shareholders
Financing (Credit)	Use of robust DSCR (over 1.20), assets residual value and an actual secondary market for such assets	Portfolio Finance structure, "Renewal and Performance Funds", PB as sponsor and construction supervisor and FGCN
Market Prices (for Daily Rates)	Long term contracts for drilling units chartering	Finance structure efficiency, longer tenors for debt repayment and comprehensive risks mitigation package



Contents

The Brazilian Pre Salt Province

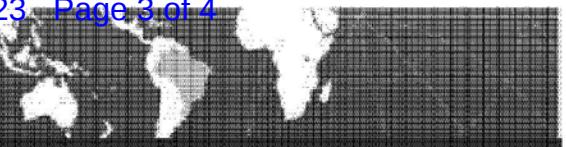
The Sustainability of the Drilling Activities in Brazil

The Main Risks for the "Brazil Initiative"

Petrobras' Strategy for implementing the Project

Project's Main Benefits

Final Remarks



Petrobras' strategy for contracting the *Brazilian* drilling rigs

PLAN A

- To bid among regular drilling services contractors, offering a 10-year charter/services contract, but including a provision demanding the drilling rig construction in Brazilian shipyards

PLAN B

- To create a finance structure, initially associating Petrobras with Finance Investors, which will contract the drilling rigs construction in Brazilian shipyards, but eventually transferring Petrobras' shares to pre selected traditional drilling operators

Both bid processes will be run in parallel and will end simultaneously, allowing Petrobras to arbitrate by comparing charter daily rates from each alternative. Petrobras may choose the drilling rigs from the best PLAN or even to contract rigs from both options.



Finance Structure Requirements

- To make the Project feasible the structure must:
 - comply with the premise of constructing the rigs in Brazilian shipyards;
 - require charter daily rates within international market parameters;
 - be bankable;
 - transfer drilling rigs ownership to drilling contractors;
 - attract interest from market regular players (drilling contractors, etc.);
 - be off balance sheet and non recourse to Petrobras.
- To reach such goals, the structure incorporates several features:
 - increase the tenor of the financing and its duration;
 - charter contract tenor detached from financing amortization schedule;
 - drilling rigs construction under Petrobras' permanent supervision;
 - risks mitigation enhancements, specially for rigs operation phase.

The structure shall enable the creation of a new and soundness market for drilling units in Brazil, including construction, operation and investments, with the participation of new "Stakeholders"